

# **Rural Health Centers (RHC) and Federally Qualified Health Centers (FQHC) - Rural Definitions**

## **Medicare Certification & Reimbursement Differences**

### **Q1. How are the rural areas defined for reimbursement purposes? What criteria are used for rural designation?**

Definition of rural for reimbursement purposes is material only for FQHCs where payment differences exist for urban versus rural centers. On the other hand, all RHCs must first be certified to be rural, under a definition used solely for certification purposes, described in **Q3** below.

For Medicare reimbursement, the definition of rural/urban is based on data from the Bureau of Census and issued by the Office of Management and Budget. An urban center is one located in an OMB-designated MSA (Metropolitan Statistical Area), NECMA (New England County Metropolitan Area), PMSA (Primary MSA), or CMSA (Consolidated MSA). Centers that are not in an MSA, PMSA, CMSA, or NECMA are rural. (Source: Federal Register dated April 3, 1996; Volume 61, No 65, page 14654)

### **Q2: How does reimbursement affect FQHC/RHC?**

RHCs and freestanding FQHCs are **reimbursed** on reasonable cost subject to a maximum payment limit per visit.

**For freestanding FQHCs**, there is one payment limit for urban FQHCs (in calendar year 2004, \$106.58) and another, lower payment limit for rural FQHCs (in calendar year 2004, \$91.64). (Provider-based FQHCs are not subject to the per visit payment limit.)

**For RHCs (both freestanding and hospital-based)**, there is only one payment limit (for calendar year 2004, \$68.65. Some hospital-based RHCs, those based in small rural hospitals of less than 50 beds, are not subject to the payment limit.)

### **Q3: How is rural location determined for Medicare certification?**

The following criteria are used for rural designation:

**For RHCs**, a rural determination is required. A RHC must be located in a "non-urbanized" area. An urbanized area is defined by the U.S. Census Bureau as a central city of 50,000 or more and its adjacent suburbs. (Any area not defined as urbanized is considered non-urbanized.) In addition to the "non-urbanized" area determination, a RHC must be located in one of the following: (1) A medically underserved area (MUA) OR, (2) a geographic Health Professional Shortage Area (HPSA), OR, (3) a population group HPSA, OR, (4) OBRA 1989 allowed State governors to "designate" shortage areas. Eligibility to either one of these additional requirements is determined by HRSA or the State. Beginning November 2003, CMS began making the non-urbanized determination using

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software provided by CMS central office, using the latest U.S. Census Bureau information.

**For FQHCs**, rural designation is not used for Medicare certification. If HRSA determines the center is entitled to, or "looks-alike" and meets criteria to Federal grant funding under Section 329, 330, or 340 of the PHS Act, Medicare certification will be awarded based on a provider's self-attestation statement of eligibility. In addition, if licensure is required in a given State, compliance to licensure is based on individual State requirements.